Exhibit 172

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Center for Medicare
Medicare Plan Payment Group

Date:	June 23, 2017
To:	All Part D Plan Sponsors, including PACE Organizations
From:	Cheri Rice, Director Medicare Plan Payment Group
Subject:	CORRECTION - Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports Updates

This memo is providing a correction to the table numbering.

The Centers for Medicare & Medicaid Services (CMS) is providing an update to the Payment Reconciliation System (PRS) reports. This guidance replaces the guidance released through the Health Plan Management System (HPMS) on June 7, 2007 and April 10, 2008.[1] For understanding the 60/60 rule in risk-sharing, which impacted benefit years 2006 and 2007, please refer to these two guidance documents.

Part D sponsors receive a set of management reports from the Payment Reconciliation System (PRS) after the CMS completes the calculations for an annual Part D payment reconciliation under 42 C.F.R. § 423.343 or a reopening of a reconciliation under 42 C.F.R. § 423.346. The PRS reports specify the inputs and results of a payment reconciliation.

The two PRS reports – the PRS Inputs Report to Plans and the PRS Reconciliation Results Report to Plans – provide plans with information regarding the inputs and values used to calculate the three Part D payment reconciliations: the Low-Income Cost-Sharing Subsidy (LICS) reconciliation, the reinsurance reconciliation, and the risk-sharing reconciliation.

In addition, Part D sponsors receive the Part D Exclusion from Reconciliation Report. This report contains information on Prescription Drug Events (PDEs) that are withheld from the reconciliation or reopening process and this file is distributed at the same time as the Part D PRS Reports. This file is important for understanding the DDPS inputs into the Part D payment reconciliation.

The PRS report layouts are on the Customer Service and Support Center (CSSC) website, http://www.csscoperations.com under Prescription Drug Event > Payment Reconciliation Summary Reports (PRS). The Part D Exclusion from Reconciliation Report is on the CSSC website under

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[1] See HPMS memorandum, *Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports*, June 7, 2007 and HPMS memorandum, *Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports Updates*, April 10, 2008.

Prescription Drug Event > Report Layouts. Questions regarding this memorandum may be sent to PDEJan2011@cms.hhs.gov.

Attachment

Updates to the Payment Reconciliation System (PRS) Reports

I. Introduction

Part D sponsors receive a set of management reports from the Payment Reconciliation System (PRS) after the Centers for Medicare & Medicaid Services (CMS) completes the calculations for an annual Part D payment reconciliation under 42 C.F.R. § 423.343 or a reopening of a payment reconciliation under 42 C.F.R. § 423.346. The PRS reports specify the inputs and results of a payment reconciliation.

A. PRS Inputs Report to Plans

The PRS Inputs Report to Plans provides plans with the beneficiary-level inputs received from the Medicare Advantage and Prescription Drug System (MARx) and the Drug Data Processing System (DDPS). These inputs provide data on the prospective payments and the actual payments made on behalf of a beneficiary. The PRS Inputs Report to Plans allows plans to validate the beneficiary-level inputs received from DDPS and MARx that are used in their Part D payment reconciliation.

B. PRS Reconciliation Results Report to Plans

The PRS Reconciliation Results Report to Plans provides plan-level inputs received from the Health Plan Management System (HPMS), totaled plan-level inputs passed from the PRS Inputs Report to Plans, and the results of the three Part D payment reconciliations: the Low-Income Cost-Sharing Subsidy (LICS) reconciliation, the reinsurance reconciliation, and the risk-sharing reconciliation. The PRS Reconciliation Results Report to Plans provides plans with all of the inputs plans need to understand how their Part D payment reconciliation is calculated, in addition to the results of the Part D payment reconciliations and the final reconciliation adjustment amount.

C. Part D Exclusion from Reconciliation Report ("Exclusion File")

PDEs are excluded from reconciliation when the beneficiary on the PDE is retro-actively disenrolled (no enrollment in any Part D plan on the date of service (DOS)), or the DOS on the PDE exceeds the beneficiary date of death by more than the allowed margin. The allowable margin for PDEs with a date of service prior to 7/1/2017 is 32 days. The allowable margin for PDEs with a date of service equal to or greater than 7/1/2017 is 14 days if the Pharmacy Service Type is 01 (Community/Retail Pharmacy Service) and the Patient Residence is 01 (Home); otherwise, the margin is 32 days.

The Part D Exclusion from Reconciliation Report lists all PDEs that have been excluded from reconciliation. These PDEs are not included in any reconciliation calculations, and they do not appear on either the Reconciliation Inputs or Results report.

For more information on the Exclusion Report, see the HPMS memoranda, *Reconciliation PDE Exclusion Process*, January 6, 2014 and *Updates to the Reconciliation Prescription Drug Event (PDE) Exclusion Process*, April 16, 2014.

II. The PRS Inputs Report to Plans

The PRS Inputs Report to Plans provides plans with the prospective payment and actual payment inputs at the beneficiary/plan-level from MARx and DDPS. The DDPS amounts will be net of the amounts that appear on the Part D Exclusion from Reconciliation Report. Because a beneficiary could be in more than one contract and/or more than one Plan Benefit Package (PBP) within a contract within a specific coverage year, beneficiary/plan-level data indicates the beneficiary-level data for a specific plan only. In this document, beneficiary-level, beneficiary/plan-level, and beneficiary/PBP-level are used interchangeably. Plan-level and contract/PBP-level are also used interchangeably.

A. PRS Inputs Report to Plans File Layout

The PRS Inputs Report to Plans file contains a contract header (CHD) record, followed by a plan header (PHD) record, which sets up cumulative reporting at both the contract-level and at the plan-level. The CHD and PHD records identify the contract and PBP, respectively. Each has the PRS Report Id and Contract Identifier on the record, allowing CMS to distribute the reports at the contract-level, while allowing a contract to treat plan-level reports as unique reports. The CHD record also has the coverage year, the calendar year for which a specific Part D payment reconciliation is conducted, and the reconciliation number, which indicates whether the reconciliation is the initial Part D payment reconciliation for the coverage year or if it is a reopening of a payment reconciliation. The Reconciliation Number will be populated with 001 for all plans included in an initial program reconciliation and is incremented for each subsequent reopening for a benefit year. A particular plan may not be included in a reopening run, and therefore may not see sequential reconciliation numbers.

The detail (DET) record provides the beneficiary/plan-level reporting. The DET record establishes the basic format for the rest of the file. It is important to note that on the DET record, beneficiaries are identified by their most current Medicare beneficiary identifier, which is currently the HICN as reported on the DDPS management files.

In certain circumstances, CMS will include an adjustment record in either the initial reconciliation or a reopening. Adjustment amounts are located as a detail record of the PRS Inputs Report to Plans. However, the adjustment amounts represent reconciliation variables aggregated to plan-level amounts. There is a single detail adjustment record for each plan. The adjustment detail record is the first detail record on the PRS Inputs Report to Plans and the Current CMS HICN field will contain the word "ADJUSTMENT". Adjustments can be made for the following fields (note that all other fields in the detail record will be populated with zeroes):

Low-income cost-sharing subsidy (LICS),

Covered Plan Paid (CPP) Amount,

Gross Covered Drug Cost Below the Out-of-Pocket Threshold (GDCB),

Gross Covered Drug Cost Above the Out-of-Pocket Threshold (GDCA),

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Part D Basic Premium Amount (PA),

Direct Subsidy Amount (DSA), and

Pace Cost-Sharing Add-on Amount (PCAA).

Each plan will have an adjustment detail record regardless of whether there is an adjustment amount. Adjustments can have positive, zero, or negative values. Whenever an adjustment record is used for a reconciliation calculation, CMS will issue guidance to the contracts explaining how the values in the adjustment record were derived.

The plan trailer (PTR) record has the same basic layout as the DET record. However, in place of the beneficiary ID, there is a contract number and a PBP ID. This record will sum all of the amounts in each of the DET records for the contract/PBP, including the adjustment DET record. Table 1 provides the definitions and descriptions of the records in the PRS Inputs Report to Plans.

TABLE 1 - PRS INPUTS REPORT TO PLANS - RECORD DEFINITIONS/DESCRIPTIONS

RECORD INDICATOR	RECORD DEFINITION	NOTES
CHD	Contract-level file header	Occurs once per contract for each one on file
PHD	Contract/Plan level file header	Occurs once per contract/plan for each one on file
DET	Detail records for the report	Occurs 1 to many times per contract/plan record
PTR	Contract/Plan level file trailer	Occurs once per each PHD on the file
CTR	Contract-level file trailer	Occurs once per each CHD on the file

B. *PRS Inputs Report to Plans – Data Elements and Report Fields*

Only beneficiary/plan-level information is present on the Inputs Report. The plan-level inputs needed to calculate reconciliation amounts are found on the PRS Reconciliation Results Report to Plans discussed in a later section.

1. P2P and Non-P2P Fields

The PRS Inputs Report to Plans contains both Plan-to-Plan (P2P) amounts and non-P2P amounts for the following four fields: Actual Low-Income Cost-Sharing Subsidy Amount (ALICSA), Gross Drug Cost Below the Out-of-Pocket Threshold Amount (GDCBA), Gross Drug Cost Above the Out-of-Pocket Threshold Amount (GDCAA), and Covered Part D Plan Paid Amount (CPPA). These four fields represent data received from the Drug Data Processing System (DDPS), net of amounts found on the Part D Exclusion from Reconciliation Report.

Actual P2P NPP (Non-covered Plan Paid Amount) Submitted by EA Plan Amount (NPPA) is used to credit Enhanced Alternative (EA) plans for NPP amounts paid on behalf of a low-income (LI) status beneficiary when reported on a PDE that was subsequently included in a P2P transaction. This value is included in the Low-Income Cost-Sharing Subsidy reconciliation for EA plans.

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Table 2 provides the names and field locations on the DET record of the data elements.

TABLE 2: P2P AND NON-P2P FIELDS ON PRS INPUTS REPORT

DATA ELEMENT	SHORT NAME	FIELD NUMBER		
		NON P2P	P2P	TOTAL
ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT	ALICSA	4	5	6
GROSS DRUG COST BELOW THE OUT OF POCKET THRESHOLD AMOUNT	GDCBA	8	9	10
GROSS DRUG COST ABOVE THE OUT OF POCKET THRESHOLD AMOUNT	GDCAA	11	12	13
COVERED PART D PLAN PAID AMOUNT	CPPA	14	15	16
ACTUAL P2P NPP SUBMITTED BY EA PLAN AMOUNT	NPPA	-	7	-

The P2P amounts represent amounts paid for which the plan was not the submitting plan. Since the Plan of Record (POR) has repaid the submitting plan during the P2P process, the P2P amounts incurred are on the POR's reconciliation. Plans will only be reconciled for amounts incurred when they are the POR, with the exception of the NPPA. When pulling the NPPA for Part D payment reconciliation, CMS removes any negative NPP amounts at the beneficiary level. Only positive NPP amounts, at the beneficiary level, are included in reconciliation.

For each beneficiary, PRS sums the P2P and non-P2P amounts for GDCBA, GDCAA, and CPPA. The beneficiary/plan-level sums of these fields are on the DET record and are aggregated to the plan and contract levels in the Inputs Report. Non-P2P and P2P amounts for these fields can be found on the DDPS Management Report 4 COV and Report 42.[1] Note, however that a sponsor will need to take the amounts from the Report 4 COV and subtract out amounts found on the Exclusion file to validate the amounts found in the PRS Inputs Report to Plans.

As the P2P NPP Amount represents an actual LICS cost paid on behalf of a low-income status beneficiary, it is included in the calculation for Total ALICSA. The calculation for ALICSA sums the P2P LICS amounts received from Report 42 and the non-P2P LICS amounts received from Report 4 (net of the Exclusion file) and includes the P2P NPP Submitted by EA plan amounts, which are found on Report 40. The calculation, which is at the plan-level, is as follows:

> Total Actual Low-Income Cost-Sharing Subsidy Amount = Non-P2P Actual Low-Income Cost-Sharing Subsidy Amount + P2P Actual Low-Income Cost-Sharing Subsidy Amount + Actual P2P NPP Submitted by EA Plan Amount

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[1]Through HPMS, CMS will release information to specify which monthly Report 4 COV and Report 42 are used in the Part D reconciliation. These reports are critical for the plan to review and refer to in understanding their Part D payment reconciliation.

2. Estimated Rebate at Point-of-Sale (POS) Amount

Beginning with benefit year 2008, contracts were given the ability to report the estimated rebate applied at the point-of-sale (POS) on the PDE. Beginning with the 2008 Part D payment reconciliation, the Estimated POS Rebate Amount is used to calculate the Direct and Indirect Remuneration (DIR) used in the reinsurance reconciliation and in risk-sharing. PRS receives Estimated POS Rebate amounts at the beneficiary/PBP-level from DDPS through three fields. The three fields on the Inputs Report are Non-P2P Estimated POS Rebate Amount, P2P Estimated POS Rebate Amount, and Total Estimated POS Rebate Amount (ERPOSA). Table 3 provides the names and field locations on the DET record of the estimated POS rebate data elements.

TABLE 3: ESTIMATED POS REBATE FIELDS ON PRS INPUTS REPORT DET RECORD

DATA ELEMENT	FIELD NUMBER	FIELD POSITION
NON-P2P ESTIMATED POS REBATE AMOUNT	22	283-296
P2P ESTIMATED POS REBATE AMOUNT	23	297-310
TOTAL ESTIMATED POS REBATE AMOUNT	24	311-324

The P2P and non-P2P amounts are summed to get the total amount at the beneficiary/plan-level.

Total Estimated POS Rebate Amount = Non-P2P Estimated POS Rebate Amount + P2P Estimated POS Rebate Amount

The P2P amounts represent amounts paid when the Submitting Contract for the plan was not the Contract of Record. Contracts should note that the P2P estimated POS rebate amounts are included in the Submitting Contract's reconciliation because the Submitting Contract must retain (and report as DIR) any rebates earned for P2P PDEs. Contracts should refer to the DDPS Management Report 4 COV and Report 40 for the non-P2P and P2P values for the Estimated Rebate at POS amounts.

The beneficiary-level Total Estimated POS Rebate Amount is summed up to the contract/PBP-level and passed to the Reconciliation Results Report where it is used to determine the DIR amount used in the reinsurance reconciliation and in risk-sharing.

III. PRS Reconciliation Results Report to Plans

The PRS Reconciliation Results Report to Plans provides plans with the results of the three Part D payment reconciliations (LICS, reinsurance, and risk-sharing) and the final reconciliation payment adjustment amount. The Results Report also provides the contract/PBP-level inputs received from HPMS and the totaled plan-level inputs from DDPS (net of amounts found on the Exclusion file) that are necessary for plans to understand how their Part D payment reconciliation is calculated.

A. *The PRS Reconciliation Results Report to Plans File Layout*

The PRS Reconciliation Results Report to Plans file layout is similar to that of the PRS Inputs Report, but there are key differences. The Results Report file begins with the CHD record. In the Results Report, there are no beneficiary-level records; the DET record in the Results Report provides the reconciliation results at the contract/PBP-level. As with the Inputs Report, each report also has the coverage year, the calendar year for which a specific Part D payment reconciliation is conducted, and the reconciliation number, which indicates whether the reconciliation is the initial Part D payment reconciliation for the coverage year or if it is a reopening of a payment reconciliation. Table 4 provides the definitions and descriptions of the records in the PRS Reconciliation Results Report to Plans.

TABLE 4 - PRS RECONCILIATION RESULTS REPORT TO PLANS - RECORD DEFINITIONS/DESCRIPTIONS

RECORD INDICATOR	RECORD DEFINITION	NOTES
CHD	Contract-level file header	Occurs once per contract for each one on file
DET	Plan detail records for the report	Occurs 1 to many times per contract/plan record
CTR	Contract-level file trailer	Occurs once per each CHD on the file

The CTR record provides reconciliation results summarized to the contract-level and represents the activity of all PBPs under one contract number. It is important to note here that the totals in this CTR record are not the totals used for any Part D payment reconciliation. All payment reconciliation is at the contract/PBP-level, which is reported in the DET record. The CTR record may provide a useful contract-level summary but will not directly impact any payment calculation.

B. *Inputs on the Results Report*

    1. Inputs Report Fields Passed to the Results Report

Certain fields from the Inputs Report are carried through to the Reconciliation Results Report. The elements passed are summed to the contract/PBP-level on the PRS Inputs Report PTR record. The data elements that are passed from the Inputs Report to the Results Report are values that are necessary inputs into the payment reconciliation calculations PRS performs. For example, the plan-level Total Actual Low-Income Cost-Sharing Subsidy Amount (ALICSA) and the plan-level Prospective Low-Income Cost- Sharing Subsidy Amount (PLICSA) are the only data elements used to calculate the LICS Reconciliation Adjustment Amount (LICSAA) and therefore, are passed to the Results Report from the Inputs Report. Other data elements passed from the Inputs Report to the Results Report also comprise values in the Part D payment reconciliation calculations. These data elements are shown in Table 5.

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TABLE 5: DATA ELEMENTS PASSED FROM THE PRS INPUTS REPORT TO THE PRS RESULTS REPORT

DATA ELEMENT	SHORT NAME	SOURCE SYSTEM
TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT	ALICSA	DDPS
TOTAL GROSS DRUG COST BELOW OUT OF POCKET THRESHOLD AMOUNT	GDCBA	DDPS
TOTAL GROSS DRUG COST ABOVE OUT OF POCKET THRESHOLD AMOUNT	GDCAA	DDPS
TOTAL ESTIMATED POS REBATE AMOUNT	ERPOSA	DDPS
TOTAL COVERED PART D PLAN PAID AMOUNT	CPPA	DDPS
PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT	PLICSA	MARx
PROSPECTIVE REINSURANCE SUBSIDY AMOUNT	PRSA	MARx
PART D BASIC PREMIUM AMOUNT	PA	MARx
DIRECT SUBSIDY AMOUNT	DSA	MARx
PACE COST-SHARING ADD-ON AMOUNT	PCAA	MARx

2. Plan-level HPMS Inputs

Plan-level inputs needed to calculate reconciliation amounts are only found on the PRS Reconciliation Results Report to Plans. These plan-level inputs are HPMS inputs and include: the Reported Part D Covered DIR Amount, the Administrative Cost Ratio, and the Induced Utilization Ratio (for Enhanced Alternative plans only). These data elements are show in Table 6.

TABLE 6: HPMS PLAN-LEVEL INPUTS FOUND ON THE PRS RECONCILIATION RESULTS REPORT TO PLANS

DATA ELEMENT	SHORT NAME
REPORTED PART D COVERED DIR AMOUNT	DDIRA
ADMINISTRATIVE COST RATIO	ACR
INDUCED UTILIZATION RATIO	IUR

3. Program Level CMS Inputs

The last set of reconciliation inputs that are found in the Results Report are CMS provided, program-wide data elements. These fields are necessary to perform the risk-sharing portion of reconciliation. The values for these data elements are the same for all plans that participate in risk-sharing. CMS provided, program-wide inputs are shown in Table 7.

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TABLE 7: CMS PROVIDED PROGRAM LEVEL INPUTS ON THE PRS RESULTS REPORT TO PLANS

DATA ELEMENT	SHORT NAME
FIRST UPPER THRESHOLD PERCENT	FUTP
SECOND UPPER THRESHOLD PERCENT	SUTP
FIRST LOWER THRESHOLD PERCENT	FLTP
SECOND LOWER THRESHOLD PERCENT	SLTP
FIRST UPPER RISK-SHARING RATE	FURSR
SECOND UPPER RISK-SHARING RATE	SURSR
FIRST LOWER RISK-SHARING RATE	FLRSR
SECOND LOWER RISK-SHARING RATE	SLRSR

    4. Payment Reconciliation Plan Type Code

The Payment Reconciliation Plan Type Code (PRPTC) indicates which of the three reconciliations (LICS, reinsurance, and risk-sharing) a plan may participate in and how those reconciliations are calculated. The PRS contains a decision process to determine Payment Reconciliation Plan Type Code, which considers the HPMS Plan Benefit Package Type Code (PBPTC), among other plan type flags and indicators to arrive at a distinct PRS reconciliation plan type. See Table 8 for a list of the PRS plan types and their allowed reconciliations.

TABLE 8: PART D PLANS AND ALLOWED RECONCILIATION CALCULATIONS

Payment Reconciliation Plan Types	Unique PRS Plan Type Code	LICS Reconciliation	Reinsurance Reconciliation	Risk Corridor Analysis
Defined Standard Benefit Plan*	1	Yes	Yes	Yes
Actuarially Equivalent Plan*	2	Yes	Yes	Yes
Basic Alternative Plan*	3	Yes	Yes	Yes
Enhanced Alternative Plan*	4	Yes	Yes	Yes
Employer Group Waiver Plan (EGWP) Calendar Year	5	Yes	Yes	No
Employer Group Waiver Plan (EGWP) Non-Calendar Year	6	Yes	No	No
Dual-eligible PACE Plan	7	Yes	Yes	Yes
Medicare-only PACE Plan	8	Yes	Yes	Yes
Flexible Capitated Payment Demonstration Option**	9	Yes	No	Yes
Fixed Capitated Payment Demonstration Option**	10	Yes	No	Yes
MA Rebate Payment Demonstration Option**	11	Yes	Yes	Yes

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TABLE 8: PART D PLANS AND ALLOWED RECONCILIATION CALCULATIONS

Payment Reconciliation Plan Types	Unique PRS Plan Type Code	LICS Reconciliation	Reinsurance Reconciliation	Risk Corridor Analysis
Non-Payment Demonstration Private Fee-for-Service (Non-Demo PFFS)	12	Yes	Yes	No
Limited Risk	13	Yes	Yes	Yes
Fallback	99	TBD	TBD	TBD
* Mutually exclusive of all other plan types.				
** No longer a valid plan type beginning in 2011.				

Note: All plans are required to bid as one of the four HPMS Plan Benefit Types (Defined Standard, Actuarially Equivalent, Basic Alternative, or Enhanced Alternative), but if the plan also falls into another category in addition to the HPMS PBP Type Code, such as a payment demonstration or an employer group, for PRS and reconciliation purposes, that is the designation to which the plan is assigned.

All PRS plan types listed in the table participate in LICS reconciliation. Non-Calendar Year Employer Group Waiver Plans, Fixed and Flexible Capitated Payment and Demonstration Plans, do not receive reinsurance reconciliation. Calendar Year and Non-Calendar Year Employer Group Waiver Plans and Non-Payment Demonstration Private Fee-For-Service Plans do not participate in risk-sharing.

5. Reconciliation Number

There is a Current Reconciliation Number and a Previous Reconciliation Number on the DET record. The Previous Reconciliation Number field reports the number of the last reconciliation or reopening that included the plan. In a reopening, the Previous Reconciliation Number is populated.

For example:

2017 initial reconciliation: Contract ABCDE is excluded from the initial reconciliation. Every contract included has a Current Reconciliation Number of 001 on the reports.

2017 first reopening: All contracts are included in the reopening. Every contract, including Contract ABCDE, will have a Current Reconciliation Number of 002 on the reports. Even though this is the first reconciliation for Contract ABCDE, the Current Reconciliation Number will be 002 on the reports. The Previous Reconciliation Number for Contract ABCDE will be 000 on the reports.

IV. PRS Payment Calculations, Interim Calculated Values, and Reconciliation Results

This section provides an explanation of how the various inputs identified on the Inputs Report and on the Results Report operate within the PRS reconciliation calculations. In addition to values received

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from source systems, the Reconciliation Results Report to Plans has PRS interim calculated values used in the reinsurance and risk-sharing reconciliations. More information on the PRS interim calculated values can be found in the sections below.

More importantly, this section explains how the three Part D payment reconciliation calculations operate within the PRS and how the inputs and interim calculated values operate within the calculations to provide plans with the final reconciliation values for the three Part D payment reconciliations (LICS reconciliation, reinsurance reconciliation, and risk-sharing reconciliation) and the final reconciliation payment adjustment value, the Adjustment Due to Payment Reconciliation Amount (ARA). This section explains how PRS arrives at these final reconciliation values and tells plans where to find specific values on the plan-level DET record of the Results Report.

   A. *Low-Income Cost-Sharing Subsidy (LICS) Reconciliation:*

The LICS reconciliation is the most straightforward of the reconciliations. In the LICS reconciliation, prospective payments are compared to actual payments to determine the Low-Income Cost-Sharing Subsidy Adjustment Amount (LICSAA). The values that go into the LICS reconciliation calculations are totaled DDPS and MARx values passed from the Inputs Report to the Results Report. No calculated interim PRS values are used in the LICS reconciliation:

$$LICSAA = ALICSA - PLICSA$$

The Actual Low-Income Cost-Sharing Subsidy Amount minus the Prospective Low-Income Cost-Sharing Subsidy Amount provides the Low-Income Cost-Sharing Subsidy Adjustment Amount.

The Current Low-Income Cost-Sharing Subsidy Adjustment Amount is Field 14 on the PRS Reconciliation Results Report to Plans DET record. This amount can be positive, zero, or negative.

   B. *Reinsurance Reconciliation:*

As with the LICS reconciliation, the reinsurance reconciliation compares the Prospective Reinsurance Subsidy Amount to the Actual Reinsurance Subsidy Amount to determine the Reinsurance Subsidy Adjustment Amount (RSAA). Calculating the reinsurance subsidy reconciliation is a 6 step process. PRS uses GDCAA, GDCBA, and ERPOSA values from DDPS and the Prospective Reinsurance Subsidy Amount (PRSA) from MARx, which are passed to the Results Report from the Inputs Report as totaled plan-level values.

PRS uses these values to determine the interim calculated values, such as the Net Part D Covered DIR Amount (NDDIRA), the Reinsurance DIR Ratio (RDIRR), the Reinsurance Portion of DIR Amount (RPDIRA), the Allowable Reinsurance Cost Amount (ARCA), and the Actual Reinsurance Subsidy Amount (ARSA), used in the reinsurance reconciliation calculations and which are further explained below:

   1. The **first step** in determining the reinsurance reconciliation is to calculate the Reinsurance DIR Ratio (RDIRR). The Total Gross Drug Cost Above the Out-of-Pocket Threshold Amount (GDCAA) is divided by total drug costs (the sum of GDCAA and the Total Gross

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Drug Cost Below the Out-of-Pocket Threshold Amount (GDCBA)) to determine RDIRR, the Reinsurance DIR Ratio. (RDIRR is a PRS interim calculated value and is found on Field 19 of the DET record on the PRS Reconciliation Results Report to Plans).

$$RDIRR= GDCAA/(GDCAA + GDCBA)$$

2. The **second step** is to calculate the Net Part D Covered DIR Amount (NDDIRA). NDDIRA is calculated by subtracting the Total Estimated POS Rebate Amount (ERPOSA) from the Reported Part D Covered DIR Amount (DDIRA). DDIRA is a contract/PBP-level value received from HPMS and identified on the Results Report. (NDDIRA is a PRS interim calculated value and is found on Field 22 of the DET record on the PRS Reconciliation Results Report to Plans).

$$NDDIRA=DDIRA - ERPOSA$$

3. The **third step** is to calculate the Reinsurance Portion of DIR Amount (RPDIRA). The DIR ratio is multiplied by the NDDIRA to produce the Reinsurance Portion of DIR Amount. (RPDIRA is a PRS interim calculated value and is found on Field 23 of the DET record on the PRS Reconciliation Results Report to Plans.)

$$RPDIRA=RDIRR \times NDDIRA$$

4. In the **fourth step**, PRS calculates the Allowable Reinsurance Cost Amount (ARCA). The Reinsurance Portion of DIR (RPDIRA) is subtracted from the Total Gross Drug Cost Above the Out-of-Pocket Threshold Amount (GDCAA) to determine the Allowable Reinsurance Cost Amount. (ARCA is a PRS interim calculated value in Field 24 of the DET record on the PRS Reconciliation Results Report to Plans.)

$$ARCA=GDCAA - RPDIRA$$

5. In the **fifth step**, PRS determines the Actual Reinsurance Subsidy Amount (ARSA). The Allowable Reinsurance Cost Amount (ARCA) is multiplied by .8 to determine the Actual Reinsurance Subsidy Amount. (CURRENT ARSA is found in Field 25 of the DET record on the PRS Reconciliation Results Report to Plans.)

$$ARSA=ARCA \times 0.80$$

6. In the **sixth step**, the reinsurance subsidy is reconciled to determine the Reinsurance Subsidy Adjustment Amount (RSAA). The Reinsurance Subsidy Adjustment Amount is determined by subtracting the Prospective Reinsurance Subsidy Amount (PRSA) received from MARx and identified on the Inputs Report from the Actual Reinsurance Subsidy Amount (ARSA). (The CURRENT Reinsurance Subsidy Adjustment Amount is Field 31 on the PRS Reconciliation Results Report to Plans DET Record. This amount can be positive, zero, or negative.)

$$RSAA=ARSA - PRSA$$

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C. Risk-Sharing Reconciliation:

Calculating the risk-sharing reconciliation is a more involved process than the previous two reconciliations. Risk-sharing reconciliation is performed at the plan-level. There are essentially four steps to calculate risk-sharing:

1. Calculate the plan's Target Amount (TA).
2. Calculate the risk corridor thresholds amounts.
3. Calculate the Adjusted Allowable Risk Corridor Cost Amount (AARCCA).
4. Determine where costs fall with respect to the thresholds and calculate the risk-sharing payment adjustment.

Essentially, the purpose of the risk-sharing reconciliation is to perform a comparison of the Target Amount, the total projected revenue necessary for the basic benefit (reduced for administrative costs) and the Adjusted Allowable Risk Corridor Cost Amount, which represents actual costs that have been adjusted to determine if there is any risk-sharing.

The risk-sharing reconciliation uses the Direct Subsidy Amount (DSA), the Part D Basic Premium Amount (PA), the Administrative Cost Ratio (ACR), the PACE Cost-Sharing Add-on Amount (PCAA), the Covered Part D Plan Paid Amount (CPPA), the Net Part D Covered Direct and Indirect Remuneration Amount (NDDIRA), and the Induced Utilization Amount (IUR) from DDPS, MARx, and HPMS to calculate the interim values needed for the risk-sharing reconciliation.

1. The **first step** is to calculate the plan's Target Amount (TA)[2]. The Direct Subsidy Amount and the Part D Basic Premium Amount are summed and then adjusted by the Administrative Cost Ratio to determine the TA, the first PRS calculated value used in the risk-sharing calculations. For plan type 7, the PACE Cost-sharing Add-on Amount (PCAA) is added to that amount. Note: The reconciliation calculations are using the Direct Subsidy as it relates to the risk adjusted standardized bid minus the beneficiary premium and the A/B rebates.

$$TA = (DSA+PA) \text{ x } (1\text{-}ACR)$$

For PRS plan type 7 (Dual Eligible PACE plan), then

$$TA = (DSA+PA) \text{ x } (1\text{-}ACR) + PCAA$$

2. The **second step** is to calculate the risk corridor thresholds amounts. The Target Amount is multiplied by the threshold risk percentages (the First Upper Threshold Percent, Second Upper Threshold Percent, First Lower Threshold Percent, Second Lower Threshold Percent) provided by CMS to determine the First Upper Threshold Amount (FUTA), the Second Upper Threshold Amount (SUTA), the First Lower Threshold Amount (FLTA), and the Second Lower Threshold Amount (SLTA).

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[2] TA calculations are not described for plan types that are no longer active. For these calculations, see HPMS memorandum, *Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports*, June 7, 2007 and HPMS memorandum, *Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports Updates*, April 10, 2008.

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$$FUTA = FUTP \times TA$$

$$SUTA = SUTP \times TA$$

$$FLTA = FLTP \times TA$$

$$SLTA = SLTP \times TA$$

3. In the **third step**, the PRS calculates the Adjusted Allowable Risk Corridor Cost Amount (AARCCA). The Actual Reinsurance Subsidy Amount (ARSA) and the Net Part D Covered DIR Amount (NDDIRA) are subtracted from the Covered Part D Plan Paid Amount (CPPA). This amount is adjusted by the Induced Utilization Ratio (IUR). Note: The Induced Utilization Ratio is set to 1 for all plans except EA plans. For EA plans, including payment demonstrations, the HPMS IUR value is used, which is equal to or greater than 1.

$$AARCCA = ((CPPA) - (ARSA + NDDIRA))/IUR$$

4. In the **last step**, PRS determines where costs fall with respect to the thresholds and calculates risk-sharing adjustment. The Adjusted Allowable Risk Corridor Costs are matched against the thresholds to determine where costs fall and to calculate the Risk-Sharing Adjustment. The risk-sharing rates (the First Upper Risk-Sharing Rate, Second Upper Risk-Sharing Rate, First Lower Risk-Sharing Rate, Second Lower Risk-Sharing Rate) are applied, as appropriate. The Risk-Sharing Adjustment (RA) is the last calculated PRS value in the risk-sharing reconciliation.

If FUTA < AARCCA < or = SUTA then

$$RA = FURSR \times (AARCCA - FUTA)$$

If SUTA < AARCCA then

$$RA = [FURSR \times (SUTA - FUTA)] + [SURSR \times (AARCCA - SUTA)]$$

If FLTA > AARCCA > or = SLTA then

$$RA = FLRSR \times (AARCCA - FLTA)$$

If SLTA > AARCCA then

$$RA = [FLRSR \times (SLTA - FLTA)] + [SLRSR \times (AARCCA - SLTA)]$$

If FUTA > or = AARCCA > or = FLTA then

$$RA = 0$$

On the PRS Reconciliation Results Report to Plans, there are two fields that indicate the contributions to the Risk-Sharing Amount (RA), the Risk-Sharing Portion from Costs Beyond the Second Limit, Field 59, and the Risk-Sharing Portion from Costs Between the First and Second Limits, Field 60. The first

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field indicates the contribution to the Risk-Sharing Amount from plan costs beyond either the Second Upper Threshold Amount or the Second Lower Threshold Amount. The second field indicates the contribution to the Risk-Sharing Amount from plan costs between the First and Second Threshold Amounts. These fields are signed and are used to show any positive contributions to risk-sharing or negative contributions to risk-sharing. Positive values and negative values in these fields are mutually exclusive. In other words, a plan will not have a positive value in one and a negative value in the other. These fields can also be zero.

The CURRENT Risk-Sharing Amount is Field 56 on the PRS Reconciliation Results Report to Plans DET Record. This amount can be positive, zero, or negative.

V. Interpreting the Results Report

A. Interpreting the Results Report in an Initial Reconciliation

On the Reconciliation Results Report, in an initial Part D payment reconciliation, the Previous values are not populated. However, the formula for calculating the Delta values still applies. Delta values are the difference between the Current values and the Previous values. Therefore, Delta values are populated and are equal to the Current values for an initial reconciliation. This was done so that contracts would have to code for only one set of fields for both an initial Part D payment reconciliation and for a reopened reconciliation.

The following fields identified in Table 9 are used to calculate the final reconciliation payment adjustment amount:

TABLE 9: PART D RECONCILIATION ADJUSTMENT AMOUNTS AND FIELD LOCATIONS

	Reconciliation Amounts		Results Report DET Record Field
	Delta Low-Income Cost-Sharing Subsidy Adjustment Amount		Field 16
+	**Delta Reinsurance Subsidy Adjustment Amount**		Field 33
+	**Delta Risk-Sharing Amount**		Field 58
–	**Delta Budget Neutrality Adjustment Amount (Demonstration Plans Only)**		Field 65
=	**Delta Adjustment Due to Payment Reconciliation Amount**		Field 68

The first three fields are critical for the plans because they represent the final reconciliation amounts for LICS, reinsurance, and risk-sharing. The adjustment due to reconciliation amount is the total of the three reconciliations (LICS, reinsurance, and risk-sharing/risk corridor) minus the Delta Budget Neutrality Adjustment Amount (BNAA), Field 65. The BNAA applies for demonstration plans only and is the product of unique member per year (UMPY) and the Annual Budget Neutrality Dollar Amount (ABNDA).

$$ARA = LICSAA + RSAA + RA - (ABNDA \times UMPY)$$

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The ARA is summed to the contract-level for all plans in a contract. This value can be found in the CTR record in the Results Report. However, since the Part D payment reconciliation is conducted at the plan-level, the Adjustment Due to Payment Reconciliation Amount (ARA) is calculated at the contract/PBP-level.

The Delta Adjustment Due to Payment Reconciliation Amount (ARA) is found in Field 68, the last field found on the DET record of the PRS Reconciliation Results Report to Plans. This amount is the net reconciliation amount for the plan for the coverage year.

This amount can be positive, zero, or negative.

B. Interpreting the Results Report in a Reopening

In a reopening, PRS will also calculate the difference between the results of the reopened reconciliation and the results of the last reconciliation run for the coverage year and the specific plan in which there was a payment adjustment, whether the adjustment was in an initial Part D payment reconciliation or prior reopening.

Steps in the Reopening Process:

1. PRS receives inputs from DDPS, MARx, HPMS, and CMS.

2. PRS calculates the results of the reopened reconciliation.

3. PRS compares the results of the reopening to the prior reconciliation run in which there was a payment adjustment.

Certain key data elements on the Reconciliation Results Report will have fields for the Previous values (the values from the previous reconciliation or reopening in which there was a payment adjustment), the Current values, and the difference between them, the Delta values. The Previous values for the data elements are from the last reconciliation or prior reopening as identified by the Previous Reconciliation Number. For these data elements the Delta values are calculated as:

$$\text{Delta Data Element} = \text{Current Data Element} - \text{Previous Data Element}$$

In a reopened reconciliation, the Delta values are critical for contracts because they represent the values by which their final payment determination would be adjusted. The Delta values can be positive, zero, or negative. See Table 10 for the data elements that now have Previous, Current, and Delta fields.

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TABLE 10: DATA ELEMENTS WITH CURRENT, PREVIOUS, AND DELTA VALUES

Category	Data Elements		
	Current	**Previous**	**Delta**
DDPS INPUTS	CURRENT TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT -	PREVIOUS TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT =	DELTA TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT
MARx INPUTS	CURRENT PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT -	PREVIOUS PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT =	DELTA PROSPECTIVE LOW-INCOME COST- SHARING SUBSIDY AMOUNT
	CURRENT PROSPECTIVE REINSURANCE SUBSIDY AMOUNT -	PREVIOUS PROSPECTIVE REINSURANCE SUBSIDY AMOUNT =	DELTA PROSPECTIVE REINSURANCE SUBSIDY AMOUNT
MARx/HPMS DERIVED INPUTS	CURRENT ACTUAL REINSURANCE SUBSIDY AMOUNT -	PREVIOUS ACTUAL REINSURANCE SUBSIDY AMOUNT =	DELTA ACTUAL REINSURANCE SUBSIDY AMOUNT
PRS CALCULATED RECONCILIATION RESULTS	CURRENT LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT -	PREVIOUS LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT =	DELTA LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT
	CURRENT REINSURANCE SUBSIDY ADJUSTMENT AMOUNT -	PREVIOUS REINSURANCE SUBSIDY ADJUSTMENT AMOUNT =	DELTA REINSURANCE SUBSIDY ADJUSTMENT AMOUNT
	CURRENT RISK-SHARING AMOUNT -	PREVIOUS RISK-SHARING AMOUNT =	DELTA RISK-SHARING AMOUNT
	CURRENT BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY) -	PREVIOUS BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY) =	DELTA BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY)

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	CURRENT ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT	-	PREVIOUS ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT	=	DELTA ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT

It is important to note that the previous data elements are not used by PRS to calculate the reopened reconciliation. The previous amounts are used to determine adjustment amounts to the reconciliation. PRS determines the reopened reconciliation as it would calculate an initial Part D payment reconciliation using the same calculations as are used in the Part D payment reconciliation. The PRS inputs with Previous values such as the Total Actual Low-Income Cost-Sharing Subsidy Amount are included to show the net change between the inputs of the initial reconciliation or prior reopening and the current reopening. Previous values are included in the Reconciliation Results Report to help contracts understand how CMS arrives at the adjustment to the final payment determination. For example, a reopened LICS reconciliation would be calculated by PRS by using the LICS reconciliation calculation:

> Current Low-Income Cost-Sharing Subsidy Adjustment Amount = Current Total Actual Low-Income Cost - Sharing Subsidy Amount – Current Prospective Low-Income Cost-Sharing Subsidy Amount

The next step is to compare the calculated Current Low-Income Cost-Sharing Subsidy Adjustment Amount (LICSAA) to the Previous LICSAA to arrive at the Delta LICSAA.

> Delta Low-Income Cost-Sharing Subsidy Adjustment Amount = Current Low-Income Cost-Sharing Subsidy Adjustment Amount - Previous Low-Income Cost-Sharing Subsidy Adjustment Amount

The Delta LICSAA is used with the Delta Reinsurance Subsidy Adjustment Amount (RSAA), the Delta Risk-Sharing Amount (RA), and the Delta Budget Neutrality Adjustment Amount (BNAA) to determine the Delta Adjustment Due to Payment Reconciliation Amount (ARA). The Delta ARA is the value on which any payment adjustment to the final payment determination would be based. The fields identified in Table 11 are used to calculate the Delta ARA.

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TABLE 11: REOPENED PART D PAYMENT RECONCILIATION ADJUSTMENT AMOUNTS FIELD NUMBER AND LOCATIONS ON THE RECONCILIATION RESULTS REPORT DET RECORD

	Reopened Reconciliation Amounts	Field Number	Field Position
	Delta Low-Income Cost-Sharing Subsidy Adjustment Amount	Field 16	141-154
+	**Delta Reinsurance Subsidy Adjustment Amount**	Field 33	370-383
+	**Delta Risk-Sharing Amount**	Field 58	604-617
-	**Delta Budget Neutrality Adjustment Amount (Demonstration Plans Only)**	Field 65	688-701
=	**Delta Adjustment Due to Payment Reconciliation Amount**	Field 68	730-743

The Delta ARA is summed to the contract-level for all plans in a contract. The contract-level Delta ARA is found in the contract trailer (CTR) record in the Reconciliation Results Report. However, since reopening is conducted at the plan-level, the Delta ARA is calculated at the contract/PBP-level.

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